

## Message Text

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INFO OCT-01 EA-11 ISO-00 SS-20 EB-11 XMB-07 RSC-01 /051 R

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DRAFTED BYWWEM/BIC/OED/MEPD/CATKINS/GT

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STATE/EA/IMS/ADORNHEIM (INFO)

EB/OCA/BR - R. SWART

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P 142130Z FEB 74

FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA PRIORITY

INFO AMCONSUL HONG KONG PRIORITY

AMEMBASSY BANGKOK PRIORITY

AMEMBASSY KUALA LUMPUR PRIORITY

AMEMBASSY MANILA PRIORITY

AMEMBASSY SINGAPORE PRIORITY

AMEMBASSY TOKYO PRIORITY

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PASS:RAND, HONG KONG

E.O. 11652:N/A

TAGS: BMEP, BTRA: ID

SUBJECT: FERTILIZER: MAJOR PROJECTS ADVANCE TEAM VISIT

REF: A) JAKARTA 1690; (B) JAKARTA 1877

1. APPRECIATE EMBASSY'S DETAILED REVIEW OF FACTORS  
IMPORTANT TO SUCCESS OF FERTILIZER TEAM VISIT AND CONCERN  
THAT EFFORT BE EFFECTIVE GIVEN INDONESIAN METHODS OF  
DOING BUSINESS. WITH THESE FACTORS IN MIND, WE WISH TO  
EXPAND ON: (A) RELATIONSHIP MAJOR EXPORT PROJECTS DIVISION  
(MEPD) AND NATIONAL CONSTRUCTORS ASSOCIATION (NCA) AND (B)  
ROLE OF INDIVIDUAL CONSTRUCTOR/INVESTOR TEAMS AS OPPOSED TO  
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GROUP EFFORT SPARKED BY MEPD.

2. TO AID IN STIMULATING U.S. INDUSTRY INTEREST AND RESPONSE TO DJAKARTA'S REPORTING OF SIZABLE MAJOR PROJECT OPPORTUNITIES IN FERTILIZER SECTOR, MEPD, AS ON OTHER OCCASIONS, TURNED TO THE NCA. NCA IS TRADE ASSOCIATION COMPOSED OF FORTY MAJOR INTERNATIONALLY KNOWN ENGINEERING AND CONSTRUCTION COMPANIES ENGAGED PRIMARILY IN DESIGNING AND BUILDING CHEMICAL PLANTS, STEEL MILLS, POWER GENERATING FACILITIES, OIL REFINERIES, ETC. MEPD HAS FOUND IT FRUITFUL TO WORK THROUGH THE NCA BECAUSE A) THE SPECIALIZED TECHNICAL CAPABILITY REQUIRED ON MOST MAJOR PROJECTS IS BEST KNOWN AND EVALUATED THROUGH AN ORGAN OF THE PROFESSIONAL TRADE AND B) CHARGES OF POSSIBLE PARTIAL OR FAVORED TREATMENT OF PARTICULAR FIRMS CAN BEST BE DEFUSED BY WORKING THROUGH THE TRADE ASSOCIATION MOST DIRECTLY CONCERNED. WHILE IT IS GENERALLY THOUGHT DESIRABLE TO INFORM "ALL POTENTIAL COMPETITORS WITH EQUIVALENT INFORMATION"(PARA 3, DJAKARTA 1690), PRACTICAL IMPLEMENTATION OF SUCH A PROPOSITION IS UNWORKABLE DUE CONSTRAINTS OF DECISIVE TIMING AND RELATIVELY LIMITED TECHNICAL EXPERTISE AVAILABLE TO MEPD. OUR SOLUTION HAS BEEN TO WORK THROUGH A PROFESSIONAL TRADE ORGANIZATION.

3. OPPORTUNITY REGARDING FERTILIZER SECTOR DEVELOPMENT IN INDONESIA WAS DISSEMINATED ON GROUP BASIS, AND OFFICIAL SUPPORT TO PURSUE THIS OPPORTUNITY FURTHER WAS OFFERED ON GROUP BASIS. AFTER MEPD PRESENTATIONS TO NCA ANNUAL MEETING, NCA VOTED RESOLUTION TO SPONSOR AND PROVIDE EXECUTIVE LEADERSHIP. TO BEST OUR KNOWLEDGE, AND PRESUMABLY THAT OF EMBASSY, THIS OPPORTUNITY WAS TOTALLY NEW ONE AND NOT ONE ALREADY BEING DEVELOPED BY ANY U.S. FIRM OR FIRMS. MEPD/NCA-LED GROUP APPROACH DOES NOT PRECLUDE INDIVIDUAL FIRMS MOUNTING THEIR OWN PARTICULAR EFFORTS AND THESE INDIVIDUAL EFFORTS MAY ALSO RECEIVE POST SUPPORT. THEY CANNOT, HOWEVER, SUBSTITUTE FOR THE OFFICIALLY-STIMULATED U.S. INDUSTRY GROUP APPROACH. IT IS OUR UNDERSTANDING THAT ONLY ONE U.S. FIRM (WHICH PARTICIPATED IN ORIGINAL WASHINGTON GROUP MEETING ON INDONESIAN FERTILIZER DEVELOPMENT POTENTIAL) MAY MAKE ITS OWN APPROACH TO INDONESIANS. OTHERS ARE CONTINGENT ON NCA/USG ORGANIZED AND SPONSORED

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ADVANCE TEAM VISIT.

4. FURTHER DELAY ON THIS VISIT COULD DAMPEN ENTHUSIASM. IT CAN ALSO CREATE SERIOUS EMBARRASSMENT INVIEW OF ALREADY-KNOWN COMMITMENT ONPART OFMEPD AND EMBASSY.

5. COMMERCE WILL CONDUCT A BRIEFING CONFERENCE ON WEDNESDAY, 20 FEBRUARY FOR PROSPECTIVE PARTICIPANTS IN THE

FERTILIZER TEAM VISIT TO INDONESIA. DON MCCUNE WILL MAKE PRESENTATION AT THAT TIME.

6. OBJECTIVES FOR MEPD/NCA CONDUCTED ADVANCE VISIT HAVE BEEN OUTLINED AS FOLLOWS: A) TO EXPLORE OPPORTUNITIES IN GREATER DETAIL AND TO DEVELOP FRAMEWORK AND WORKING BASIS FOR STRUCTURING A NUMBER OF FERTILIZER FACILITY PROPOSALS; AND B) TO EVALUATE THE RATIONALE, RECEPTIVITY AND TIMETABLE FOR A LATER HIGH LEVEL JOINT INDUSTRY/USG TASK FORCE AIMED AT ASSURING U.S. PARTICIPATION IN FERTILIZER DEVELOPMENTS IN INDONESIA BY PRESENTING SPECIFIC PROPOSALS.

7. OF PARTICULAR INTEREST IS C.F. INDUSTRIES WILLINGNESS TO PARTICIPATE. DON THOMAS, PRESIDENT OF CFI'S SUBSIDIARY COOPERATIVE FERTILIZERS INTERNATIONAL, WILL ACCOMPANY GROUP IF WEEK OF MARCH 11 CAN BE SET FOR EXERCISE. (THOMAS IS AVAILABLE TO ACCOMPANY TEAM ONLY IF IT CAN BE SET FOR WEEK OF 11 MARCH). CFI WAS RESPONSIBLE FOR STRUCTURING THE DOLS 124 MILLION INDIAN COOPERATIVE FERTILIZER PROJECT AND IS NOW ANXIOUS TO SEEK FURTHER INVOLVEMENT INS.E. ASIA BECAUSE THEY ARE BRINGING THEIR WORK TO A SUCCESSFUL CONCLUSION. THE BASIC PURPOSE OF CFI IS TO PROMOTE AND ASIST IN THE DEVELOPMENT OF FARMER-OWNED FERTILIZER PLANTS THROUGHOUT THE WORLD AND STANDS READY TO OFFER ITS SERVICES IN OTHER DEVELOPING NATIONS IF SO REQUESTED. AS DEMONSTRATED IN INDIA, CFI ASSUMED THE PRIMARY RESPONSIBILITY FOR CREATING DEMAND FOR ITS PRODUCTS ALL OF THE WAY TO THE FARMER LEVEL. ALSO, CFI UNDERTAKES SEEDING, OR PLANTING PROGRAMS AIMED AT PROMOTING SPECIFIC PRODUCTS AND AT RESOLVING POTENTIAL PROBLEMS IN THE DISTRIBUTION SYSTEM. SINCE COOPERATIVES ACCOUNT FOR APPROXIMATELY 35 PERCENT OF ALL FERTILIZER SOLD IN THE U.S., CFI CLAIMS MORE FERTILIZER EXPERIENCE THAN IS AVAILABLE TO ANY OTHER SINGLE ENTITY IN THE INDUSTRY. THIS UNCLASSIFIED

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COULD ASSURE A GREATER LIKELIHOOD OF SUCCESS AND SERVE AS THE BASIS FOR ATTRACTING THE FOREIGN EXCHANGE LOANS NEEDED FOR THE PROJECT. THIS MAY HAVE RAMIFICATIONS FOR IBNU'S CURRENT CONCERN TO IMPROVE AGRICULTURAL PRODUCTION. CFI IS ALSO INTERESTED IN POSSIBLE PARTICIPATION IN OFF-TAKE AND WILL CONSIDER EQUITY PARTICIPATION.

8. MW. KELLOGG, WHILE RECOGNIZING THE ADVANCE TEAM ENDEAVOR AS ESSENTIALLY FACT-FINDING AND PRELIMINARY TO PROPOSAL WORK, WILL PROVIDE TWO VICE PRESIDENTS TO ASSIST TEAM EFFORT AND TO RESPOND TO HIGHER LEVEL QUESTIONS IF CALLED ON TO DO SO. THEY WILL SUPPORT AND COOPEATE WITH CFI AND OTHER INTERESTED OPERATORS. AS EMBASSY KNOWS, KELLOGG OWNS AMMONIA PROCESS AND HAS MORE EXPERIENCE IN THIS FIELD THAN ANY OTHER COMPANY.

9. RE PARA 1E AND 2, REF B., J.F. PRITCHARD CO. WILL HAVE THEIR ASIAN PACIFIC SALES MANAGER, CHAS. HALSELL, ATTEND. HALSELL ALREADY IN CONTACT WITH FILIPINOS ON INDONESIAN PROJECT AND COMPANY NOW MAKING CONTACTS WITH INVESTOR/OPERATORS. MCCUNE CONFIRMS PROJECT IS REACHING PROPOSAL STAGE.

10. DON BOSTWICK OF CHEMICO HAS HELD UP HIS TRIP TO INDONESIA PENDING DECISION ON NCA/USG TEAM VISIT. HE INFORMS THAT WEEK OF 11 MARCH MUST BE LATEST DATE OWING TO HIS PRIOR SCHEDULING FOR OTHER PARTS OF THE WORLD.

11. TEAM MAY CONSIST OF AS MANY AS 12-13 PARTICIPANTS. WE EXPECT AT LEAST ONE OTHER OPERATOR TO RESPOND IN ADDITION TO PEOPLE WITH WHOM FLUOR IS WORKING. WE WILL HAVE BETTER INDICATION AFTER WEDNESDAY'S MEETING. IN ANY EVENT, WE RECOMMEND THAT FORMALIZED SESSIONS BE SET TO COMMENCE AFTERNOON, MONDAY, MARCH 11 AND TO CONTINUE THRU WEDNESDAY, MARCH 13. TIME MAY BE ALLOWED AFTERWARD FOR ADDITIONAL WORKING SESSIONS OR PRIVATE CONFERENCES BUT TIME FRAME MENTIONED, PARA 1, REF B, CONTINGENT ON FACTORS BEYOND CONTROL OF MEPD AND EMBASSY.

12. FYI - AMBASSADOR NEWSOM HAS BEEN BRIEFED BY SANDS.

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ACTION REQUESTED: THAT EMBASSY PROCEED TO ESTABLISH APPROPRIATE PROGRAM FOR MEPD SUPPORTED TEAM VISIT TO COMMENCE MARCH 11.  
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